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Cases of Note: Copyright -- Five Speakers Over the Line

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LEGAL ISSUES



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Cases of Note

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Copyright — Five Speakers Over the Line

Cass County Music Company, et al. v. Vasfi Muedini d/b/a Port Town Family Restaurant, United States Court of Appeals for the Seventh Circuit, 55 F.3d 263; 1995 U.S. App. LEXIS 10897 (1995).

A whole passel of plaintiffs are **record companies** and all members of **American Society of Composers, Authors, and Publishers (ASCAP)**. The avowed mission of ASCAP is to "reduce the transactional and enforcement costs that would otherwise be incurred in reaching agreements with each individual copyright holder." *Chi-Boy Music v. Charlie Club, Inc.*, 930 F.2d 1224, 1226 n.1 (7th Cir. 1991).

On a March evening in 1992, tireless investigators from ASCAP chose to dine at the **Port Town Family Restaurant** in Racine, Wisconsin. What they selected from the menu is not known, but we do know they heard radio station music being played over the sound system.

ASCAP had the said radio station — WMYXFM — under license by terms of which retransmission of the broadcasts were strictly prohibited. And the forbidden music was just spewing out. "You've Got a Friend." "Three Times a Lady." "Jump." "One of These Nights." "My Girl." Not waiting to hear more, they raced back to headquarters.

I didn't realize Carole King wrote "You've Got a Friend," but there it is in n.5.

ASCAP had licensed 151 Wisconsin restaurants where for a mere \$327 a year, radio music could be played seven nights a week. They had been badgering **Vasfi Muedini**, owner of Port Town to sign on and make himself legal since 1985. And now enough was enough.

Vasfi "declined to participate in the action," not answering the complaint and provoking an already provoked ASCAP to move for a default judgment.

The district court judge felt ASCAP needed to show they were entitled to judgment as a matter of law and told them to brief § 110(5) exemptions from the Copyright Act, 17 U.S.C. § 101 *et seq.* ASCAP apparently argued **Vasfi's** case so well that the judge dismissed the case. Going to work for itself, ASCAP appealed.

The 7th Cir. got a law firm to submit an *amicus curiae* brief in support of the lower court order. The firm conducted an independent investigation which included dinner at the restaurant. What they ate is not a matter of record, but

they did discover that Vasfi had skedaddled and the eatery is now called the River Run Restaurant. Apparently, no music was playing.

The Appeal — What's a public performance?

The Copyright Act gives copyright owners the exclusive right to control public performance of their works. 17 U.S.C. § 106(4). Public performance includes "(2) to transmit or otherwise communicate a performance or display of the work to ... the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times." 17 U.S.C. § 101. Which is to say a radio or TV playing in a business.

An exemption is provided in § 110(5) for small commercial establishments that play radio or TV broadcasts on a "homestyle receiving apparatus." This homestyle thingy is a "receiving apparatus of a kind commonly used in private homes," but the exemption does not apply if folks are directly charged to see or hear it. 17 U.S.C. § 110(5).

It also does not apply if the transmission is further transmitted to the public. A radio in the back room of the store transmitting to the front is not a further transmission. *Broadcast Music, Inc. v. Claire's Boutiques, Inc.*, 949 F.2d 1482, 1495 (7th Cir. 1991), *cert. denied*, 112 S. Ct. 1942 (1992).

The history of this business began with the Supreme Court in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975) wherein the Court just threw up its hands at the idea of policing barber shops, beauty parlors, drive-ins, car washes, dentists' offices et al. and said leave those folks alone.

Of course the Court didn't foresee the eternal vigilance of ASCAP and the cast iron stomachs of its investigators that would have them

eating at the Port Town Family Restaurants of this world. Nor did it foresee intense music industry lobbying.

And in the following year — 1976 — Congress stuck playing a radio into the definition of "performance." But it did exempt the single radio or TV for the incidental enjoyment of patrons of all those sorts of places.

Claire's Boutiques held that you lost the exemption if you used non-home-type components or configured home-type equipment is a way not ordinarily used in a home. And the 7th Cir. actually devised a ghastly four-part test on this issue which I can't be bothered to reproduce here.

Yes, you can see we're headed towards a scintillating discussion of home-type components.

Port Town's Sound System

Port Town had a single receiving apparatus and no fee was charged for listening.

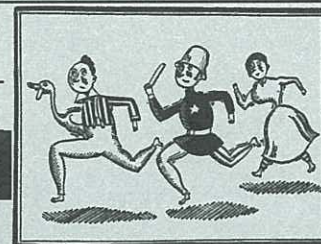
Well duh, as they say. It's one thing to charge that dollar for the extra plate when you share a meal, but what could Vasfi have done if you wouldn't pay for music? Made you wear ear plugs?

But what about the home-type receiver? It was a Realistic brand receiver, Model No. STA-700 AM/FM retailing for \$200 at Radio Shack.

But it had NINE SPEAKERS! And it had a separate control panel with five selector switches, by golly, and transformers for a souped-up power output because otherwise it would only drive four speakers.

And while there may be American homes with such equipment, this is not COMMONLY found in American homes.

The receiver was beyond the normal limits of its capabilities and **Vasfi** had lost his exemption.



Copyright — Litigation Shenanigans in the Battle to Control the Plush Toy Market

Ty Inc. v. Softbelly's Inc., United States Court of Appeals for the Seventh Circuit, 2003 U.S. App. LEXIS 25883 (2003)

Herein our busy 7th Cir. finds that **Ty Inc.'s**

Beanie Babies are always with us, and that Ty Warner will stop at nothing to protect the source of his fortune.

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Softbelly Inc. makes a very similar bit of animal kitsch called "Screenie Babies" with chamois bellies. These are sold by computer stores for wiping your computer screen.

Yes, it seemed pretty open and shut to the district court judge who didn't let the case go to the jury, meting out injunctive relief and \$700,000 in damages on his own.

Softbelly moved to vacate the judgment under FRCP 60(b)(3) based on **Ty** doing some witness tampering. The judge denied that.

Now the Issues

Ty, Inc. owned by **Ty Warner**, has a trademark on "Beanie Babies" and claims a common-law trademark on "beanies." **Softbelly** claimed beanies had become a generic term for small plush toys filled with bean-like stuff.

As in "would you like a beanie with that?"

To prove "beanies" is not generic, **Ty** commissioned a survey in nine malls throughout the USA of 220 men and women over the age of 18. Sixty percent thought the word was a brand name. But, of course, that leaves forty percent that thought the contrary.

In fact, 36% thought it was generic. Four percent were clueless as to the meaning of words like generic. Which is pretty amazing it was that small.

Ty also had phone surveys, **eBay** and **Yahoo** auction samplings, and news articles in which the overwhelming reference of "beanies" was to **Ty's** products.

And the test is "primary significance." *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 12:6 (4th ed. 2003). Which **Ty** had in spades.

The judge figured **Softbelly's** evidence didn't present a triable issue of fact and the 7th Cir. agreed. **Softbelly** surveyed 13- to 18-year-old girls which the 7th Cir. felt was an "arbitrary subset of consumers." **Softbelly** said that was the market for beanies, but **Ty** insisted its market ran all the way to women of 80.

Good grief. Tennessee Williams could write Beanie Menagerie.

The 7th Cir. was loathe to toss beanies into the public domain calling it a "penalty for success." This should only happen when the trademark is such an exclusive descriptor that competitors can't compete without using it.

Brassiere, cellophane, escalator, thermos, yo-yo and dry ice were all once trademarks. And where would we be without those words? **Sanka** was saved by the emergence of the term "decaf," and **Xerox** pushed hard to get "copier" in general use.

But Not So Fast Here

It seems our district court judge had excluded a whole bunch of **Softbelly** evidence including a raft of **Ty** internal memos using "beanies" as generic. For ex.: "We want to emphasize our Beanies are not just any Beanies — But special." The 7th Cir. could find no legal authority for him doing this.

Additionally, he had set a date for trial that gave less than 90 days for **Ty** to disclose its expert witnesses. Rule 26(a)(2)(C) FRCP. And **Ty** had sure enough held back the identities of its witnesses for over a year. **Ty** was fined \$20,000 for this stunt, but that didn't help **Softbelly** prepare for trial.

More Procedural SNAFUs.

Softbelly's star witness was one **Harold Nizamian**, a competitor to **Ty**. And interestingly, **Ty Warner** had worked for **Nizamian** in the early days. **Nizamian** was scheduled to say that as early as 1998 before the birth of "Beanie Babies," beanies was a generic name for plush beanbag animals.

Softbelly was all set to schedule **Nizamian's** testimony when he announced he had been called by **Warner** and would not appear.

Yes, you're remembering Paul Newman in The Verdict where he didn't take a deposition of his M.D. expert and the guy got paid by the insurance defense to take a Caribbean vacation. It would seem Softbelly's lawyer was equally negligent.

At trial, **Softbelly's** lawyer asked **Ty Warner** what he had been up to, **Ty** objected and the judge sustained.

The 7th Cir. was staggered by this. "An attempt by a litigant to persuade a witness not to testify is properly admissible against him as an indication of his own belief that his claim is weak or unfounded or false." *Newark Stereotypers' Union No. 18 v. Newark Morning Ledger Co.*, 397 F.2d 594, 599 (3d Cir. 1968).

Those in the trade know a great deal about what consumers think. *Central Illinois Light Co. v. Consolidation Coal Co.*, 349 F.3d 488, 492-93 (7th Cir. 2003).

Warner admitted the phone call to **Nizamian**. Post-trial, **Softbelly** deposed **Nizamian** who said **Warner** told him his testimony would cost him a whole bunch of money. Not long before the two had discussed doing business together. So he decided to not get involved.

All this together required a new trial. And even without that, the likelihood of confusion issue still existed. **Ty** had the burden of proof and had some evidence that folks thought "Screenie Babies" a **Ty** product. But there was still a question of fact for a jury. Screenies cost twice as much, had a different tag from Beanies, and were sold in computer stores where Beanie fanatics wouldn't be likely to shop.

Which is a curious observation. Those 80-year old women collectors are computer illiterate.

Rule 60(b)(3)

Under the rules of Federal Civil Procedure, a district court can set aside a judgment for fraud or other misconduct by a party. **Softbelly** moved for this on the grounds of **Ty's** witness tampering with **Nizamian**.

Some cases find witness tampering a fraud, *King v. First American Investigations, Inc.*, 287 F.3d 91, 94 (2d Cir. 2002), or it may be "other misconduct." Either way it's real serious. And the victim need only show it hindered his ability to present his case, not that he otherwise would have won. *Lonsdorf v. Seerfeldt*, 47 F.3d 893, 897 (7th Cir. 1995).

Warner's admission and the **Nizamian** deposition should have brought a severe sanction, possibly the dismissal of **Ty's** suit. *Weibrecht v. Southern Illinois Transfer, Inc.*, 241 F.3d 875, 884 (7th Cir. 2001).

Questions & Answers — Copyright Column

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QUESTION: A hobby group has a listserv with active discussions. A librarian member of the group located articles that answer some of the questions the group has been discussing. Is it infringement to supply these articles as PDF files to the listserv so that everyone in the group can see them?

ANSWER: Yes, if it is without permission of the copyright holder. Attaching a PDF file is a mass reproduction since current case law indicates that a copy in computer RAM is a copy for copyright purposes. Thus, anyone who opens the file is considered to have made a copy. If the article is available online from the publisher or legitimately from the author, providing a link to the members of the hobby group by email or otherwise is a good alternative. If

the articles come from licensed products, the license agreement prevails about whether it can be uploaded to a listserv without further royalties.

QUESTION: In a medical school, may a faculty member insert a figure from a textbook into a PowerPoint presentation to use in a medical school class? What about then placing the PowerPoint presentation that incorporates the figure on Blackboard or other course management software so students can access it?

ANSWER: Under section 110(1) of the Copyright Act, in a nonprofit educational institution engaged in face-to-face teaching, a teacher may display a graphic to a class. Although copying the figure for incorporation into

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